DRN-3180730

The complaint

Mr B complains that Lloyds Bank PLC has not fully compensated him following it upholding his loan payment protection insurance (PPI) mis-selling complaint.

What happened

The background and circumstances leading up to this complaint are known to both parties – so I haven't set out all of the detail here. Briefly:

In 2019 Lloyds upheld Mr B's loan PPI mis-selling complaint and it paid him compensation of around £440. The PPI in question was a single premium policy taken out on the first loan of a series of four loans Mr B took out between 1993 and 1999.

Mr B brought his complaint to the Financial Ombudsman Service because he said Lloyds had made a number of errors in calculating his redress. He said these included an incorrect start date, loan amount, loan term and insurance rebate for loan one. Mr B said the amount offered was less than the PPI premium itself, which wasn't right. Mr B provided a loan statement in support of his complaint.

Our adjudicator looked at all of this and after they provided Lloyds with the information Mr B provided, it increased its offer of compensation.

Mr B didn't accept the revised offer. He said Lloyds had still failed to update the calculation using the information he provided - so it was still incorrect.

In response to Mr B providing more loan bank statements and his insistence that Lloyds was still making errors – for example the loan balances for loan one didn't correspond with the bank statements - over the course of several months Lloyds continued to revise its offer. Following its most recent offer of August 2021, our adjudicator said that they thought the offer was fair. They said Lloyds was now willing to pay Mr B a further £2307.05 on top of the amount originally paid to him in 2019. Because one of the key points Mr B complained about was in relation to the insurance rebate – Mr B said he didn't receive one - the adjudicator explained that it was usual for Lloyds to refund a proportion of the premium paid when the policy ended due to refinancing and this was accounted for in the calculation.

Because Mr B disagrees with the adjudicator's conclusions, the complaint comes to me for a decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've decided that Lloyds' latest offer of compensation made in response to the information Mr B has provided is fair in all the circumstances. I've explained why I think this below.

It's clear that Lloyds' original offer of compensation when it agreed to uphold Mr B's PPI misale complaint fell far short of what he was owed. I can also understand Mr B's frustration that Lloyds continued to make errors in the revisions it said it had made to the calculations.

But having considered Lloyds latest offer and the calculations it has provided (those dated 16 August 2021, which I understand Mr B has been provided with) I think the calculations are in line with our guidance and do now take account of the actual account data Mr B has provided. So overall I think Lloyds' updated offer is fair in all the circumstances.

While Lloyds' early calculation revisions correctly reflected loan one's original advance amount as well as the start and end dates as confirmed by the statements Mr B provided, a couple of key sticking points remained. These were the assumed term of the loan, the loan interest rate, and the insurance rebate amount.

But I can now see from Lloyds latest calculation that it has revised the loan term from 44 months to 48 months – it appears it has now found evidence on its systems which supports what Mr B said – and it has revised the interest rate from 14.21% to 18.20%. This now means that Mr B's own calculations broadly match those of Lloyds and the loan statements Mr B provided. I note that there is a small difference in the closing balance of loan one in Lloyds' calculations and the running balance doesn't precisely mirror that of the loan statements. I think this is likely a result of a slightly different payment date used by the calculator - but in my view it does not make a material difference and I'm not persuaded from my review of the entire calculation in which all four loans are included that Mr B has been unfairly disadvantaged.

So I think this leaves one disputed issue - the insurance rebate and whether Lloyds more likely than not paid this to the loan account when loan one was repaid early in 1996 when Mr B re-financed it with a new loan.

Lloyds' latest calculations shows a PPI rebate amount of £159, which it says is shown on the loan statement Mr B has provided. Mr B disputes this entry relates to the insurance rebate – he says it was the final pro-rata loan instalment before it was rolled into loan two.

I've considered this point carefully. And having done so, I think on balance Lloyds did issue Mr B with a PPI rebate and this is the amount referred to on the loan statement – so it is fair for Lloyds to deduct it in its calculations.

Unfortunately the narrative against the £159 entry on the loan statement isn't helpful – so this doesn't tell me anything. But I've looked at Lloyds' PPI policy terms from the time in question and this shows that Lloyds did *not* offer a pro-rata rebate on the PPI premium if the policy was cancelled – just that a proportion would be refunded.

It wasn't uncommon for businesses around this time to carry out insurance refunds in line with the 'rule of 78' - an actuarial calculation that usually applies to loans. I think this is why the amount cannot easily be reconciled. I think it's also why Mr B says it was a pro-rata loan repayment before the loan ended.

But I'm not persuaded by this. Mr B's loan payments would have been set up by standing order on a set day of the month and for a fixed amount. I'm also mindful that none of Mr B's other loan statements show an entry like this.

So taking everything into account, I think the £159 credit entry on Mr B's loan one statement is more likely than not the PPI rebate he received when the policy ended when the loan was repaid early. Because of this I think it is fair for Lloyds to have accounted for this in its compensation calculation.

So overall, I think Lloyds' offer of compensation is fair in all the circumstances – it has been carried out in line with our guidance and I'm satisfied it has now taken account of the actual account data Mr M has provided.

In closing I have thought about the distress and inconvenience this matter has caused Mr B – in particular Lloyds' repeated failure to account for the actual account data Mr B provided in its calculations. Having done so, I've decided not to make any additional award for this because I think in directing Lloyds to bring the offer up to date and increasing the compensatory interest element of the award, this fairly compensates Mr B for the trouble caused.

Putting things right

Lloyds' offer of compensation calculation dated 16 August 2021 is fair. But to ensure that Mr B is not out of pocket, Lloyds should update its calculation and bring its offer up to date in relation to the compensatory interest element of the award and calculate this to the date of payment.

My final decision

For the reasons I've set out above, Lloyds Bank PLC's offer of PPI compensation has been calculated fairly and so now represents fair compensation. Lloyds Bank PLC should now update its offer as I have set out above and pay Mr B the additional compensation owed to him.

I make no other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 28 April 2022.
Paul Featherstone
Ombudsman